

## VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

Meeting of the Board of Trustees

December 12, 2005

### **Board members present:**

STEVEN JEFFREY, Chairperson, Employee Representative (term expiring July 1, 2007)

DAVID LEWIS, Vice-Chairperson, Employer Representative (term expiring July 1, 2006) – **arrived later**

W. JOHN MITCHELL, II, Employee Representative (term expiring July 1, 2008) – **arrived later**

MARIE DUQUETTE, Governor's delegate

ELIZABETH PEARCE representing JEB SPAULDING, Vermont State Treasurer

### **Also attending:**

Donna Holden, Board Coordinator

Cynthia Webster, Director of Retirement Services

Bill Rice, Director of Law and Policy

Mike McShane, Assistant Attorney General

The Chairperson, Steve Jeffrey, called the Monday, December 12, 2005, meeting to order at 10:20 a.m., which was held in the Treasurer's Conference Room at 109 State Street, 4<sup>th</sup> Floor, Montpelier, VT.

### **ITEM 1:        Approval of Minutes for October 26, 2005 Meeting**

**On a motion by Ms. Duquette seconded by Ms. Pearce, the Board unanimously voted to approve the minutes of October 26, 2005, as submitted.**

### **ITEM 2:        Approve the Membership of Charleston School District – Group A**

**On a motion by Ms. Pearce seconded by Ms. Duquette, the Board unanimously voted to approve the membership of Charleston School District into Group A, effective January 1, 2006.**

*Mr. Lewis arrived at the meeting during the next item.*

### **ITEM 3:        Legislative Initiatives**

- **§5051 (9) Definition of Compensation**
- **§5051 (10) Definition of Employee**
- **§5051 (11) Definition of Employer**
- **§5053 (a) Members**
- **§5062 (e) Board Composition**
- **§5069 Health Care Options**

Mrs. Webster reviewed her 12/8/05 memo summarizing proposed legislation. Discussion ensued including the following:

**Section 1** – amends the definition of “employer” to be consistent with the definition of “employee” for libraries and museums.

**RESOLVED:** remove ... "or a museum", and Mrs. Webster was asked to provide language amendment to §5051, for consistency.

**Section 2** – adds a provision to allow a member who is purchasing creditable service to spread the payments over three equal annual installments in lieu of a single, lump sum payment.

**RESOLVED:** correct typo in last sentence "...agt the time..." to "...at the time..."

**Section 3** – amends the disability provisions to clarify the application timeframe and eligibility requirements and the effective date of the benefit; creates language consistent with current practice relating to the medical review board process; and provides for an automatic approval if already approved by the Social Security Administration.

**RESOLVED:** wordsmith language to read "... not more than ninety days before, or ninety days after, or longer for cause shown, after the date a member separates..." and strike "... including two and one-half years as a contributor subsequent to joining,"

**Section 4** – provides for the retirement system to appeal a decision of the hearing officer.

**Section 5** – provides for guidelines for an annual review process after a disability benefit has been granted, and includes consequences up to and including elimination of the disability benefit based on the results of the annual review.

**RESOLVED:** no change to proposed amendments.

**Section 6** – expands language of existing statute to allow a non-dependent designated beneficiary of a member to receive a lump sum return of the member's contributions as a result of a death in service.

**RESOLVED:** Mrs. Webster will verify the Group D language.

**Section 7** – redefines the members of the board and how they are elected.

**RESOLVED:** Mrs. Webster will verify and correct this section to include the current and proposed language.

**Section 8** – provides language to allow the current board members to continue to serve on the board.

**RESOLVED:** no change to proposed amendments.

*Mr. Mitchell arrived during the next item.*

**Section 9** – contains language to mandate municipalities to continue to report compensation consistent with their reporting method prior to June 30, 2005, and to mandate new municipalities entering the VMERS after July 1, 2005, to report compensation based on gross earnings.

**RESOLVED:** Mrs. Webster will work with Mr. Rice to draft “earnable compensation” language for the Board’s approval. The language should include wages for services including overtime, reported by the municipality, and not include payments in lieu of benefits, reimbursements for expenses, etc.

**Section 10** – creates language to allow the Board to create a Health Savings Reimbursement account. This language was revised from a previous version to address the concern raised by a legislator last year that the Board would have too much control over setting the employer contribution rate. (Included in this mailing is a memorandum from Michael McShane that clarifies the revised language addresses the legislator’s concern.)

**RESOLVED:** no change to proposed amendments.

Mrs. Webster distributed definition language for 24 V.S.A §5051 (4) “Average final compensation” (AFC). She explained her request to change the statutory term “60 consecutive months” to clarify the practice of determining AFC, and rolling fiscal year method. Mrs. Webster submitted proposed language amendment using similar language from the Employees’ statute 3 V.S.A §455.

Upon discussion it was agreed Mrs. Webster would refine the language for Board consideration and approval.

Ms. Webster also provided and reviewed the results to date of a survey regarding wage reporting practices.

Mr. Rice provided the Board with a copy of his 12/8/05 memo outlining suggested language for a new section f in 24 V.S.A §5064.

**At 12:00 p.m. on a motion by Ms. Duquette seconded by Ms. Pearce, the Board unanimously voted to enter into executive session pursuant to Title 1 §313, to discuss pending litigation.**

Mrs. Webster, Mr. Rice, and Ms. Holden were invited into executive session.

**At 12:10 p.m. the Board exited executive session.**

*Mr. McShane arrived at the meeting.*

**ITEM 4:**        **City of Montpelier Discussion**

**At 12:15 p.m. on a motion by Ms. Duquette seconded by Ms. Pearce, the Board unanimously voted to enter into executive session pursuant to Title 1 §313, to discuss pending litigation.**

Mrs. Webster, Mr. Rice, Mr. McShane, and Ms. Holden were invited into executive session.

**At 12:53 p.m. the Board exited executive session.**

Mr. McShane stated he was satisfied with any of the three proposals as outlined in the memo submitted by Mr. Rice. The Board discussed and agreed they would prefer to include the #2 "Get what you pay for", and #3 "Catching up" provisions included in §5054(f).

**ITEM 3:**        **Legislative Initiatives – (CONTINUED)**

**Mr. Lewis made a motion seconded by Ms. Pearce to approve by section the 12/12/05 DRAFT of statutory amendments as outlined and discussed, with section 9 to be re-written to remove the first sentence and replaced with #2 and #3 of Mr. Rice's 12/8/05 memorandum. Section 1, 2, 6, 10: unanimously carried, Section 3, 4, 5, 9: Mr. Mitchell voted no, Section 7 and 8: Ms. Duquette and Mr. Mitchell voted no.**

**On a motion by Mr. Lewis seconded by Ms. Pearce, the Board unanimously voted to approve in concept the proposed clarification language to 24 V.S.A §5051 as presented by Mrs. Webster, to include defining the fiscal year as 7/1 through 6/30, and Group A,B,C and D rolling AFC calculation as similarly defined in proposed language for 3 V.S.A. §455.**

**ITEM 5:**        **Discussion of Letter Regarding §5051(10)**

The Board reviewed the letter received and related statutory language.

**On a motion by Mr. Mitchell seconded by Ms. Duquette, the Board unanimously voted to amend §5051(10) and any other related sections to read:**

**(10) "Employee" means the following persons employed on a regular basis by a school district for not less than 1,040 hours in a year and for not less than 30 hours a week for the school year, as defined in section 1071 of Title 16, or persons employed on a regular basis by a municipality ~~other than a school district~~ for not less than 1,040 hours in a year and for not less than 24 hours per week, including persons employed in a library ~~or museum~~ at least half of whose operating expenses are met by municipal funds...**

**ITEM 6:**        **FY '07 Budget Approval and Allocation Discussion**

Ms. Pearce provided the Board with an explanation of the FY'07 budget, and 2005 Cost Allocation Analysis resulting in evidence that prospectively (FY '07) allocated expenses to the

retirement systems should be changed from the current (E) 41%, (T) 47%, (M) 12% to more accurate allocations of (E) 36.5%, (T) 44.59%, and (M) 18.92%.

Further discussed and agreed was effective FY'07 asset based expenses for personal services (i.e. investment consultant, custodian bank, etc.) would be calculated at (E)41.30%, (T)49.17%, and (M)9.53%. Money manager asset based expenses would be calculated using actual assets held during any specific quarter.

The Board reviewed line items in the FY'07 budget and acknowledged that proposed budget figures would change based on the new allocation schedule.

**On a motion by Mr. Mitchell seconded by Ms. Duquette, the Board unanimously voted to adopt the FY '07 budget, including changes to the proposed budget figures, and changes to the allocated expenses share to 18.92%, and asset based share to 9.53%, as presented.**

Ms. Pearce will provide an updated FY'07 budget for the Board's information.

**ITEM 7: Any other business to come before the Board**

The Board discussed and agreed to hold their next business meeting on Wednesday, March 15, 2006 at 9:00 a.m.

Mr. Jeffrey encouraged all Board members to attend VPIC meetings, citing that critical decisions are made, or defeated, when attendance is not at its maximum.

**Adjournment:**

**On a motion by Mr. Mitchell seconded by Ms. Pearce, the Board unanimously voted to adjourn at 2:15 p.m.**

**Next Meeting Dates:**

The next quarterly VPIC meeting is scheduled for February 2006.

The next business meeting is scheduled for March 15, 2006 at 9:00 a.m.

Respectfully submitted,  
Donna Holden, Board Coordinator  
for  
Cynthia Webster, Secretary to the Board